

## BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman  
BOYD DUNN  
SANDRA D. KENNEDY  
JUSTIN OLSON  
LEA MÁRQUEZ PETERSON

In the matter of:

JEFFREY SCOTT PETERSON (CRD # 2365060), a resident of Ontario, Canada,

MICHAEL D. SILBERMAN (CRD # 2468726) and STACEY SILBERMAN, husband and wife, residents of California,

JUSTIN C. BILLINGSLEY, a resident of New York,

MOBILE CORPORATION, fka  
MOBILE.PRO CORPORATION, a Nevada Corporation,

QUEPASA CORPORATION, a Nevada Corporation,

WILSON SONSINI GOODRICH & ROSATI, P.C., a California professional corporation,

Respondents.

DOCKET NO. S-21111A-20-0202

**NOTICE OF OPPORTUNITY FOR HEARING  
REGARDING PROPOSED ORDER TO  
CEASE AND DESIST, ORDER FOR  
RESTITUTION, ORDER FOR  
ADMINISTRATIVE PENALTIES AND  
ORDER FOR OTHER AFFIRMATIVE  
ACTION**

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING**

**EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents Jeffrey Scott Peterson (CRD # 2365060), Michael D. Silberman (CRD # 2468726), Justin C. Billingsley, Mobile Corporation, Quepasa Corporation and Wilson Sonsini Goodrich & Rosati, P.C. have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

1       The Division also alleges that Jeffrey Scott Peterson, Michael D. Silberman and Justin C.  
2 Billingsley are persons controlling Mobile Corporation within the meaning of A.R.S. § 44-1999(B),  
3 so that they are jointly and severally liable under A.R.S. § 44-1999(B) to the same extent as Mobile  
4 Corporation for its violations of the antifraud provisions of the Securities Act.

5       The Division also alleges that Jeffrey Scott Peterson and Michael D. Silberman are persons  
6 controlling Quepasa Corporation within the meaning of A.R.S. § 44-1999(B), so that they are jointly  
7 and severally liable under A.R.S. § 44-1999(B) to the same extent as Quepasa Corporation for its  
8 violations of the antifraud provisions of the Securities Act.

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**I. JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

**II. RESPONDENTS**

2. Respondent Jeffrey Scott Peterson (“Peterson”) (CRD # 2365060) currently resides in Ontario, Canada.

3. Respondent Michael D. Silberman (“Silberman”) (CRD # 2468726) is a resident of California.

4. Respondent Stacey Silberman was at all relevant times the spouse of Silberman.

5. At all relevant times, Silberman was acting for his own benefit and for the benefit or in furtherance of his and Stacey Silberman’s marital community.

6. Stacey Silberman is joined in this action under A.R.S. § 44-2031(C).

7. Respondent Justin Billingsley (“Billingsley”) currently resides in Brewster, New York.

8. Respondent Mobile Corporation, formerly known as Mobile.pro Corporation (“Mobile”), is a Nevada corporation formed on March 21, 2013.

9. Respondent Quepasa Corporation is a Nevada corporation formed on July 10, 2014, which this Notice refers to as “Quepasa II.” There was another Nevada corporation formed on June 25, 1997, that in 1998 changed its name to Quepasa.com, Inc. (“Quepasa I”) with which Respondents Peterson and Silberman were affiliated. Quepasa I is not a respondent in this action.

10. Respondent Wilson Sonsini Goodrich & Rosati, P.C. (“Wilson Sonsini” or “WSGR”) is a California professional corporation and a law firm.

11. Peterson, Silberman, Billingsley, Mobile, Quepasa and Wilson Sonsini may be referred to collectively as “Respondents”.

...

...

### III. OVERVIEW

12. This case involves a scheme by Peterson and Billingsley, who are recidivist violators of the Securities Act, and Silberman in which they solicited investments in two companies they controlled, Mobile and Quepasa II. Peterson and Silberman then transferred large portions of the investors' funds away from Mobile and Quepasa II to a third company, Inter123, which Peterson owned and controlled.

13. Peterson and Inter123 then used the investors' funds to pay Peterson's legal bills for a lawsuit against his former business associates over issues having nothing to do with Mobile and Quepasa II.

14. Peterson, Silberman and Billingsley raised the vast majority of funds from investors in Mobile, which sold more than \$7.5 million in Convertible Promissory Notes, other notes and stock. They represented that Mobile was a startup internet company that aimed to build a globally dominant online brand through its name and eponymous websites, "Mobile.pro", "Mobile.co", and "Mobile.com.co."

15. Unbeknownst to investors, however, Mobile did not own any of those domain names. Peterson's closely held company, Inter123, owned them.

16. Unbeknownst to investors, Mobile paid at least \$2,273,866 to Inter123 in royalties and other fees to use "Mobile.pro", "Mobile.co," "Mobile.com.co" and variants of those names for its websites.

17. Mobile transferred its investors' funds to Inter123 under the guise of licensing agreements between the two companies. Peterson was the CEO of both Mobile and Inter123.

18. Under the 2013 Licensing Agreement, Mobile agreed to pay Peterson's other company, Inter123, \$250,000 every three months for the right to use the "Mobile.pro" domain name, which Inter123 had purchased two months earlier for \$3,250.

19. Under the 2014 Licensing Agreement, Inter123 acquired the "Mobile.co" domain name for itself by misusing \$250,000 from a Mobile investor. Unbeknownst to that investor (or

1 Mobile's other investors), Mobile transferred his \$250,000 to Inter123 so Inter123 could acquire the  
2 "Mobile.co" domain name. Then, Mobile agreed to pay \$500,000 to Inter123 for the right to use the  
3 "Mobile.co" domain name for six months.

4 20. Wilson Sonsini, which was supposed to be ensuring compliance with the securities  
5 laws, facilitated the other Respondents' fraud in several ways.

6 21. For instance, Wilson Sonsini drafted and sent to investors Note Purchase  
7 Agreements that represented that Mobile "owns or possesses sufficient legal rights" to the names  
8 "Mobile.pro", "Mobile.co," "Mobile.com.co", upon which Mobile was supposedly going to create a  
9 globally dominant online brand.

10 22. That representation was false or materially misleading because Inter123 owned the  
11 rights to those names. Wilson Sonsini knew Mobile was merely licensing the rights to use those  
12 names for three (3) months at a time in exchange for \$250,000 royalty payments to Inter123. Wilson  
13 Sonsini also knew that Inter123 could cut off Mobile's rights to use those names by terminating the  
14 Licensing Agreements with as little as fourteen days' notice.

15 23. Wilson Sonsini also acted as the central banker between the investors on the one hand  
16 and Mobile on the other.

17 24. When the other Respondents enticed an investor to invest, Wilson Sonsini instructed  
18 the investor to wire his or her investment funds to its IOLTA trust account. Once Wilson Sonsini  
19 determined that the investor's subscription documents were acceptable, it wired the investor's funds  
20 to Mobile.

21 25. At least eighty-three (83) investors collectively invested more than \$7.5 million in  
22 Mobile. With the exception of repayments to two investors totaling \$75,167, Mobile's investors  
23 have not received any return or repayment of their \$7.5 million.

24 26. Beginning in mid-2014 and throughout 2015, Peterson and Silberman repeated the  
25 same scheme they had perpetrated through Mobile against investors in a new company, Quepasa II.  
26



27. Peterson and Silberman represented that Quepasa II was a startup internet company that would be a Spanish social networking platform through its website “Quepasa.com.”

28. Unbeknownst to investors, however, Quepasa II did not own the domain name for that website. Peterson's closely held company, Inter123, owned the "Quepasa.com." domain name and licensed it to Quepasa II in exchange for royalty payments.

29. As it did for Mobile, Wilson Sonsini drafted and sent to Quepasa II's investors Note Purchase Agreements that misrepresented that Quepasa II "owns or possesses sufficient legal rights" to the Quepasa.com. name upon which it supposedly was going to build a profitable business.

30. Wilson Sonsini acted as the central banker in Respondents' Quepasa II scheme by instructing investors to wire their funds to its IOLTA trust account and then wiring those funds on to Quepasa II.

31. Eight (8) investors collectively invested \$255,000 in Quepasa II.

32. Unbeknownst to investors, Quepasa II transferred at least \$170,810 to Inter123.

33. Quepasa II's investors have not received any return or repayment of their investments.

#### IV. FACTS

**A. Peterson's And Silberman's Brief Histories As Arizona Securities Salesmen.**

34. From July 17, 1995, until December 10, 1996, Peterson was registered through West America Securities Corporation (“West America”) with the Commission as a securities salesman. Peterson’s registration through West America terminated on December 10, 1996.

35. On January 27, 1997, West America reported to the securities industry's Central Registration Depository ("CRD") that a customer had filed a complaint alleging that Peterson instructed him to wire money to the bank account of an alleged partnership. The customer wired the funds. The customer subsequently believed that the partnership never existed. The customer alleged that the bank told him that Peterson was a signatory on the account.



36. West America further reported that it attempted to verify that information with the bank but was unable to do so without a subpoena.

37. From May 4, 1995, until April 19, 1996, Silberman was registered through Prudential Securities Incorporated (“Prudential”) with the Commission as a securities salesman.

38. In July 1999, Prudential reported to the CRD that on April 1, 1997, it had settled a 1996 customer complaint alleging Silberman committed fraud and misrepresentation. To settle, Prudential paid \$150,000.00.

***B. Quepasa I.***

39. On June 25, 1997, a company was incorporated in Nevada under the name Internet Century, Inc. In December 1998, it changed its name to Quespasa.com, Inc., which, as noted above, this Notice refers to as “Quepasa I.”

40. Peterson was Quepasa I’s Chief Executive Officer (CEO) from May 1998 until August 1999, and Silberman was Quepasa I’s Chief Financial Officer (CFO) and Chief Operating Officer (COO).

41. Quepasa I was an internet company that provided users with content centered around the Spanish language. Its internet presence included a search engine, e-mail, Spanish-language news feeds and chat rooms.

42. On June 24, 1999, Quepasa I completed an initial public offering (“IPO”) and its stock began trading on the Nasdaq National Market.

43. On April 26, 2002, Peterson became the CEO of Quepasa I again.

44. In July 2003, Peterson was appointed to the Arizona-Mexico Commission.

***C. Billingsley’s Tax Liens.***

45. On April 16, 2012, the Internal Review Service (“I.R.S.”) recorded a Notice of Federal Tax Lien in Brookfield, Connecticut against Billingsley for \$418,105 in unpaid income taxes from 2007, 2008, 2009 and 2010 (the “\$418,105 I.R.S. Lien”).

1       46. On June 19, 2012, the I.R.S. recorded another Notice of Federal Tax Lien in  
2 Brookfield, Connecticut against Billingsley, this time for \$22,267 in unpaid income taxes from 2011  
3 (the “\$22,267 I.R.S. Lien”).

4       47. The records of the Brookfield, Connecticut Town Clerk do not reflect that Billingsley  
5 has ever paid off the \$418,105 I.R.S. Lien or the \$22,267 I.R.S. Lien.

6       ***D. Peterson’s And Billingsley’s Securities Law Violations With LoanGo.***

7       48. In June 2011, Peterson organized a Utah entity, LoanGo Corporation (“LoanGo”), to  
8 be an online payday lending company. Peterson was the Chief Executive Officer and Chairman of  
9 the Board of Directors of LoanGo. Billingsley was the Vice President and Director of LoanGo.

10       49. From September 2011 to April 2012, LoanGo sold promissory notes for \$250,000 to  
11 five investors through Billingsley and Peterson.

12       50. The notes provided that LoanGo would repay the investors their principal plus the  
13 accrued interest within 12 months.

14       51. Between September 2012 and April 2013, LoanGo defaulted on all its notes.

15       52. LoanGo failed to repay any portion of the investors’ funds.

16       53. On June 30, 2015, the Division filed an enforcement action against LoanGo,  
17 Peterson, Billingsley and other respondents alleging violations of the registration and antifraud  
18 provisions of the Securities Act. *See In the Matter of LoanGo Corporation et al.*, Docket No. S-  
19 20932A-15-0220 (filed 6/30/2015).

20       54. A hearing was held in the *LoanGo* case at which Peterson and Billingsley were  
21 represented by counsel. Peterson and Billingsley both testified.

22       55. On November 7, 2017, in Decision No. 76450, the Commission found that LoanGo,  
23 Peterson and Billingsley had violated the Securities Acts registration provisions, and LoanGo and  
24 Billingsley had violated the Act’s antifraud provision, A.R.S. § 44-1991.

25       56. The Commission found that at least four of LoanGo’s five investors did not receive  
26 any documents describing LoanGo before they invested in the company.

1           57.     The Commission further found that Peterson and Billingsley used the investors' funds  
2 to repay themselves for loans Peterson and Billingsley had made to LoanGo, without disclosing that  
3 the investors' funds would be used that way.

4           58.     The Commission found that Peterson controlled LoanGo and ordered that he be held  
5 jointly and severally liable with Billingsley and LoanGo for their securities fraud violations.

6           59.     The Commission ordered Peterson and Billingsley to pay \$250,000 in restitution for  
7 LoanGo's five investors. The Commission also ordered Peterson and Billingsley to pay administrative  
8 penalties of \$15,000 each.

9           60.     Neither Peterson nor Billingsley has paid any portion of the \$250,000 in restitution or  
10 the administrative penalties they owe.

11          61.     The Arizona Superior Court and Court of Appeals affirmed the Commission's *LoanGo*  
12 decision.

13           ***E.     Inter123: Peterson's Closely Held Corporation.***

14          62.     Non-party Inter123 Corporation ("Inter123") was Peterson's closely held Nevada  
15 corporation formed on September 8, 2006.

16          63.     Peterson was the President, Chief Executive Officer and majority shareholder of  
17 Inter123, holding an 89.9 percent interest.

18          64.     According to Peterson, he formed Inter123 "for the purpose of owning, investing in  
19 and operating technology related companies and assets connected with [his] entrepreneurial activities."

20           ***F.     Peterson's Expensive Sitemsearch Lawsuit.***

21          65.     In 2012, Peterson began having disputes with some of his business associates  
22 concerning companies in which they were involved, including non-party Sitemsearch Corporation  
23 ("Sitemsearch").

24          66.     Inter123 had invested \$100,000 in Sitemsearch.  
25  
26

1           67.     On February 27, 2013, Peterson engaged a prominent Phoenix law firm (the “Phoenix  
2 Law Firm”) to file a lawsuit on behalf of himself and Inter123 against Sitemsearch and his former  
3 business associates (the “Sitemsearch lawsuit”).

4           68.     The Phoenix Law Firm’s billing rate for its lead partner handling the *Sitemsearch* lawsuit  
5 was \$760 per hour.

6           69.     On March 11, 2013, the Phoenix Law Firm filed the *Sitemsearch* lawsuit for Peterson  
7 and Inter123 in the Maricopa County Superior Court, Case No. CV2013-002330. The Verified  
8 Complaint, including its exhibits, was 90 pages long. It alleged sixteen causes of action, including  
9 defamation, intentional infliction of emotional distress, abuse of process, civil conspiracy,  
10 misrepresentation, tortious interference with contract and breach of fiduciary duty.

11           70.     The Phoenix Law Firm was counsel of record for Peterson and Inter123 in the  
12 *Sitemsearch* lawsuit From March 2013 until March 2014, when a new law firm substituted in as counsel  
13 for Peterson and Inter123.

14           71.     Between March 2013 and April 2014, the Phoenix Law Firm billed Peterson and  
15 Inter123 over \$587,900.00.

16           **G.     *Mobile Corporation.***

17           72.     On March 8, 2013, Inter123 purchased the internet domain name “Mobile.pro” for  
18 \$3,250.00.

19           73.     On March 21, 2013, Peterson and Silberman incorporated Mobile as “Mobile.pro  
20 Corporation” in Nevada. On May 13, 2014, Mobile amended its articles of incorporation to change its  
21 name from “Mobile.pro Corporation” to “Mobile Corporation.”

22           74.     Peterson was the Chairman of the Board of Directors and Chief Executive Officer of  
23 Mobile.

24           75.     Silberman was the Chairman of the Executive Committee of Mobile’s Board of  
25 Directors. Silberman was also Mobile’s Executive Vice President and Chief Financial Officer.  
26

1        76. Billingsley was at various times Mobile's Chief Operating Officer, President, Senior  
2 Vice President and Vice President.

3        77. Respondents described Mobile as a start-up company that would be "the first-ever  
4 social network and online community for mobile professionals. It will become the #1 destination for  
5 mobile on the internet."

6        78. By the term "mobile," Respondents referred to wireless and portable devices, including  
7 phones and tablets, applications or "apps" for those devices, and mobile commerce conducted through  
8 those devices and apps.

9        79. Respondents stated that Mobile would provide an online community and marketplace  
10 for individuals and businesses who self-identified as "mobile professionals" to connect, collaborate  
11 and do business.

12        80. Respondents stated that Mobile aimed "to create a GLOBAL DOMINANT BRAND  
13 via the power of the internet" and "through the Mobile.Pro website..."

14                    **1. Mobile Retained Wilson Sonsini As Counsel And Wilson Sonsini**  
15                    **Invested In Mobile.**

16        81. Wilson Sonsini's website states that it is a law firm whose "legacy closely traces the  
17 birth and evolution of Silicon Valley. For nearly six decades, Wilson Sonsini has represented the  
18 technology pioneers associated with virtually every milestone innovation." [www.wsgr.com](http://www.wsgr.com) (last  
19 visited 07/08/2020).

20        82. Wilson Sonsini describes itself as holding a "Strategic Position in the Global  
21 Economy." [www.wsgr.com](http://www.wsgr.com) (last visited 07/08/2020).

22        83. On March 28, 2013, Mobile retained Wilson Sonsini to provide legal advice and  
23 services. According to Wilson Sonsini's engagement agreement of that date, which Silberman signed  
24 for Mobile, Wilson Sonsini agreed to provide services "relating to a) the general organizational  
25 activities we perform in structuring the Company, b) the pursuit of funding until the Company has  
26 received debt or equity financing, and c) licensing diligence and negotiations."

1           84.     The Wilson Sonsini partner who signed the engagement agreement provided some of  
2 the firm's billing rates: "I currently bill my services at \$810 per hour. Other attorneys likely to be  
3 involved in the representation are \$360-\$700 per hour, and the hourly rates of paralegals likely to  
4 be involved in the representation are \$120-\$320 per hour."

5           85.     Wilson Sonsini agreed to allow Mobile to defer and even forgo paying some of its  
6 legal fees in exchange for stock and a \$100,000 stock purchase option. Wilson Sonsini's engagement  
7 agreement provided in relevant part:

8                   This deferment will continue until the closing of one or a series of related debt or  
9 equity financings, the proceeds of which equal or exceed \$500,000, or the  
10 Company becomes cash flow positive and is in a position to make payment on  
11 the outstanding invoices ("Initial Financing").... In return for the deferral of  
12 our payment and the assumption of the risk of non-payment, the Company  
13 agrees to issue to us one percent (1.0%) of the initial shares of the Company  
issued to the founders of the Company prior to the Initial Financing. In  
addition, WS Investments shall be granted the right to invest up to \$100,000  
in stock in the initial preferred stock venture financing of the Company.

14                   [A]s we discussed, if you elect this deferment and the financing condition is  
15 never met, WSGR will not seek to collect our fees and the founders of the  
Company will not be personally liable or responsible for our fees.

16           86.     Wilson Sonsini acknowledged that its investment(s) in Mobile would be a conflict of  
17 interest under the attorney ethics rules that governed the firm's activities as counsel to Mobile.

18           87.     Wilson Sonsini requested that Mobile waive the conflict of interest, which Silberman  
19 did for Mobile.

20           88.     On April 22, 2013, WS Investment Company, LLC (2013A) and the Wilson Sonsini  
21 partner who signed the engagement letter collectively purchased 104,900 shares of Mobile Class A  
22 Common Stock for ten dollars and forty-nine cents (\$10.49).

23           89.     WS Investment Company, LLC (2013A) is or was one of a series of investment funds  
24 managed for the benefit of Wilson Sonsini shareholders and others affiliated with the law firm.  
25 Wilson Sonsini or a wholly owned subsidiary of Wilson Sonsini is or was the sole manager of WS  
26 Investment Company, LLC (2013A).



1           90.     On June 21, 2013, WS Investment Company, LLC (2013A) and a Wilson Sonsini  
2 partner received a \$50,000 Convertible Promissory Note in which WS Investment Company, LLC  
3 (2013A) had a 90% interest and the partner had a 10% interest. On July 10, 2015, Mobile converted  
4 that note investment and issued WS Investment Company, LLC (2013A) 52,653 shares of Mobile  
5 Preferred Series A stock.

6           91.     Wilson Sonsini's investment enabled Mobile to tout that fact to potential investors.  
7 For instance, in an email dated October 13, 2013, Mobile's then-President Chris Lopez wrote: "Our  
8 law firm for the private placement is Wilson, Sonsini, Goodrich, and Rosati, out of Palo Alto.  
9 WSGR, the same firm that represents Google, Twitter, Linkedin, etc., has invested in our venture,  
10 something that they do not often do. I would like to get you involved as an investor and there is no  
11 better time than now ... as our seed fund is closing quickly."

12                   **2.     Mobile's Website Was To Be Critical To Its Ability To Generate**  
13                   **Revenue.**

14           92.     Respondents stated that Mobile's website would serve as an entry point to a platform  
15 where mobile professionals would come to do business, take online courses, receive "mobile.pro"  
16 certifications and interact amongst themselves. Mobile's website would also be where businesses  
17 and consumer could come to learn about the mobile market and find professionals to provide  
18 website design and app development services.

19           93.     As an online marketplace and social network, Mobile's website would be critical to  
20 generating revenue for the company. For example, Respondents stated that one of Mobile's key  
21 strategies would be to monetize its website traffic.

22           94.     In addition, Respondents stated that Mobile, through its website, would act as a broker  
23 matching website designers in places such as India or the Philippines with small businesses around the  
24 world seeking to build a website. Respondents stated that by brokering website design services,  
25 Mobile's website could earn revenue in multiple global markets 24 hours a day.  
26



1           95. Respondents stated Mobile was seeking “sufficient capital investment to transition  
2 from an emerging mobile-centric brand with [a] proof-of-concept website and strategy to a thriving  
3 business with expanded content and E-commerce revenue channels.”

4           96. Investors’ monies would be used to bring traffic to Mobile’s website, to upgrade the  
5 stability and capacity of the website to handle the increased traffic, and to provide content for the  
6 website.

7           97. Between 2013 and 2015, Mobile used the domain names “Mobile.pro”, “Mobile.co”  
8 and “Mobile.com.co” for its English language website, and “Movil.pro” and “Movil.co” for its  
9 Spanish language website. “Movil” is Spanish for “mobile.”

10          98. Mobile did not own any of those domain names, however.

11          99. Peterson’s closely held company, Inter123, owned the domain names “Mobile.pro”,  
12 “Mobile.co,” “Mobile.com.co,” “Movil.pro” and “Movil.co”

13          100. Unbeknownst to investors, Mobile paid at least \$2,273,866 to Inter123 in royalties and  
14 other fees to use the “Mobile.pro”, “Mobile.co,” “Mobile.com.co,” “Movil.pro” and “Movil.co” names  
15 for its websites.

16                   **3. The 2013 License Agreement: Mobile Agreed To Pay Peterson’s Closely**  
17                   **Held Company \$1 Million Per Year To Use The Names of Mobile’s**  
18                   **Websites.**

19          101. As alleged above, on March 8, 2013, Inter123 purchased the domain name  
20 “Mobile.pro” for \$3,250. On March 21, 2013, Peterson and Silberman incorporated Mobile as  
21 “Mobile.pro Corporation.”

22          102. On May 16, 2013, Mobile entered a Trademark License Agreement with Inter123 (the  
23 “2013 License Agreement”) under which Mobile agreed to pay \$250,000 every three (3) months for  
24 the rights to use the domain names “Mobile.pro” and “Movil.pro” and the trademarks “Mobile.pro,”  
25 “Movil.pro” and variants of those names.

26          103. The Phoenix Law Firm that was counsel for Peterson and Inter123 in the *Sitesearch*  
lawsuit negotiated the 2013 License Agreement for Inter123.

104. Wilson Sonsini negotiated the 2013 License Agreement for Mobile.

105. Under the 2013 License Agreement, Mobile agreed to pay Inter123 a royalty of \$250,000 for the “Initial Term,” which was defined as three months.

106. In exchange, Inter123 granted Mobile the right to use the “Mobile.pro” and “Movil.pro” domain names and trademarks “in connection with a website and online community dedicated the field of mobile computing, mobile devices, mobile applications, careers in the mobile computing area, and the promotion of mobile computing....”

107. The 2013 License Agreement provided that all goodwill Mobile generated by its use of the “Mobile.pro” and “Movil.pro” domain names and trademarks would belong exclusively to Inter123.

108. Unless one of the parties terminated the License Agreement, it automatically renewed for three-month intervals, with each being a “Renewal Term.”

109. For each 3-month Renewal Term, Mobile agreed to pay Inter123 a royalty of \$250,000.

110. The 2013 License Agreement provided that a Wilson Sonsini attorney was to receive a copy of any notice sent to Mobile.

111. Either party could terminate the Licensing Agreement by providing written notice fourteen (14) days prior to the expiration of the Initial Term or seven (7) days prior to the expiration of a Renewal Term.

112. The 2013 License Agreement provided that upon termination, Mobile was required immediately to: (i) cease using the “Mobile.pro” and “Movil.pro” domain names and trademarks; (ii) turn over to Inter123 “access to any social networking sites used by [Mobile]”; and (iii) change its corporate name and “replace it with another term not likely to be confused with MOBIL.PRO [sic]....” The 2013 License Agreement further provided: “Licensee shall not be able to continue to use the name MOBILE.PRO CORPORATION after the termination of this Agreement.”

1           113. Before Mobile entered the 2013 License Agreement, it was presented to Mobile's  
2 Board of Directors during a telephonic meeting on May 16, 2013.

3           114. The Wilson Sonsini attorney who negotiated the 2013 Licensing Agreement for Mobile  
4 took the minutes of the May 16, 2013, telephonic meeting.

5           115. Peterson, the Chairman of Mobile's Board of Directors, called the meeting to order.

6           116. The minutes reflect that the attorney from the Phoenix Law Firm who negotiated the  
7 2013 Licensing Agreement for Inter123, not Mobile, reviewed the Agreement's terms for Mobile's  
8 Board of Directors.

9           117. Peterson knew his other company, Inter123, had acquired the "Mobile.pro" domain  
10 name two months earlier for \$3,250.

11           118. Peterson recused himself from voting on whether Mobile should enter the 2013  
12 Licensing Agreement with Inter123.

13           119. But neither Peterson, nor Inter123's attorney, nor the Wilson Sonsini attorney, nor  
14 anyone else informed Mobile's Directors that Inter123 had recently acquired the "Mobile.pro" domain  
15 name for \$3,250.

16           120. None of Mobile's Directors questioned the valuation of the domain names and  
17 trademarks for which Mobile would pay \$250,000 every three months to use. There was no discussion  
18 of whether that was a fair royalty fee.

19           121. None of Mobile's Directors nor the Wilson Sonsini attorney questioned why Mobile  
20 would pay a royalty to Peterson's other company for the right to use the "Mobile.pro" and "Movil.pro"  
21 names.

22           122. There was no discussion of why Mobile would brand itself and build an online  
23 business using domain names and trademarks Mobile did not own and for which it had to pay  
24 Peterson's other company \$250,000 every three months to use.

25           123. The Wilson Sonsini attorney present at that meeting, who was supposed to be  
26 representing Mobile's interests and not those of Peterson, did not raise any of these issues. He did not

1 offer Mobile's Directors any advice or other information about the 2013 Licensing Agreement he had  
2 negotiated.

3 124. Mobile's Board of Directors voted to approve the 2013 Licensing Agreement, under  
4 which Mobile agreed to pay Peterson's other company \$250,000 every three months for a domain  
5 name it had purchased two months earlier for \$3,250.

6 **4. Mobile's Offering And Sale Of Convertible Promissory Notes.**

7 125. Between April 24, 2013, and October 15, 2014, Mobile sold at least 79 Convertible  
8 Promissory Notes (each a "Note") to 74 investors in the total amount of \$6,744,005.00.

9 126. To sell its Notes, Mobile solicited investors through Peterson's and Silberman's  
10 contacts from Quepasa I, and Peterson's connections from the Arizona-Mexico Commission and  
11 Arizona politics. Mobile also enlisted Billingsley to solicit investors.

12 127. Like the investors in Peterson's and Billingsley's prior company, LoanGo, many  
13 investors in Mobile did not receive any documents describing Mobile before they invested.

14 128. Investors were told that Mobile was developing an online platform to connect  
15 employers with prospective employees globally, and Mobile would use their investment funds for  
16 operating capital.

17 129. Investors were told that within a few years their Note investments would be  
18 converted to shares of Mobile stock. Investors were further told that Mobile planned to do an  
19 initial public offering (IPO), at which point their stock would likely increase significantly in value.

20 130. In his sales pitch, Billingsley told at least two Arizona investors that Mobile's founders,  
21 Peterson and Silberman, had made millions of dollars by founding and successfully running Quepasa  
22 I. Billingsley told those investors he was on Mobile's Board of Directors, which he was not.

23 131. Billingsley told those investors that Mobile had hired a large law firm, Wilson Sonsini,  
24 to review all the investment paperwork to make sure everything was done properly.

25 132. Mobile's use of Wilson Sonsini gave those investors' confidence that the investment  
26 had been properly vetted.

133. The investors were instructed to send their executed investment documents to Wilson Sonsini, and to wire their investment funds to Wilson Sonsini's Interest on Lawyers Trust Account, an "IOLTA" trust account.

134. Each Note provided that Mobile would pay the investor the outstanding principal amount of their investment plus 8.0% annual interest upon the earlier of the "Maturity Date," which was defined as October 24, 2014, or an elected date thereafter; or upon default.

135. Each Note provided that if Mobile sold at least \$3,000,000 of Preferred Stock prior to the Maturity Date, "then the outstanding principal amount of this Note and all accrued interest shall automatically convert into a number of fully paid and nonassessable shares of the Preferred Stock equal to the then outstanding principal amount of this Note plus accrued but unpaid interest *times* 0.67...."

136. Mobile sold each Note pursuant a Note Purchase Agreement, which Wilson Sonsini prepared.

137. Each Note Purchase Agreement provided: "The sale and purchase of the Notes shall take place at a closing to be held ... at Wilson Sonsini Goodrich & Rosati, P .C. ... or such other place and time as the Company and the Investors may determine...."

138. Each Note Purchase Agreement further provided: "*Use of Proceeds*. The proceeds of the sale and issuance of the Notes shall be used for general corporate purposes."

139. Each Note Purchase Agreement represented:

*Intellectual Property.* To the best of its knowledge, the Company owns or possesses sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, processes and other intellectual property rights necessary for its business as now conducted and as currently proposed to be conducted without any conflict with, or infringement of the rights of, others.

140. That representation was false or misleading because Mobile, Peterson, Silberman and Wilson Sonsini knew:

1           a)     Mobile did not own the “Mobile.pro” and “Movil.pro” domain names and  
2 trademarks that were necessary for its business and for which it sought investors’ funds to create a  
3 globally dominant brand through those websites;

4           b)     Mobile was licensing the legal rights to use those domain names and  
5 trademarks from Inter123 for three-month terms;

6           c)     Inter123 could terminate Mobile’s rights to use those domain names and  
7 trademarks by providing only seven or fourteen days written notice before the end of the Initial Term  
8 or a Renewal Term; and

9           d)     upon termination, Mobile was required immediately to: (i) cease using the  
10 “Mobile.pro” and “Movil.pro” domain names and trademarks; (ii) turn over to Inter123 access to any  
11 social networking sites used by Mobile, which were to be central to Mobile’s business and  
12 profitability; and (iii) change its corporate name to something not likely to be confused with Mobile.

13           141.   For the sale of Mobile’s Notes, Wilson Sonsini drafted the Note Purchase Agreements  
14 and sent the investors the subscription documents, including the Note Purchase Agreements, Notes,  
15 suitability questionnaires, signing instructions and instructions for the investors to wire their funds to  
16 Wilson Sonsini’s IOLTA account.

17           142.   According to Peterson, after Wilson Sonsini received the investors’ funds into its  
18 IOLTA trust account, “WSGR inspected each investor subscription individually” and determined  
19 “that each subscription was acceptable under state and federal securities laws....”

20           143.   Wilson Sonsini advised some investors how to revise their answers on the suitability  
21 questionnaire and answered other investors’ questions.

22           144.   Peterson believes that Wilson Sonsini rejected one potential investor’s subscription  
23 to invest in Mobile. Wilson Sonsini accepted 74 other investors’ subscriptions.

24           145.   According to Peterson, after determining that the investor’s subscription was  
25 acceptable, Wilson Sonsini wired the investor’s funds to Mobile.



1           146. Between May 16, 2013, and August 30, 2014, which was the period the 2013  
2 Licensing Agreement was in effect:

3           a) Wilson Sonsini transferred at least \$3,122,005 to Mobile's JPMorgan Chase  
4 Bank Account ending in Xx2328 ("Mobile's Chase Account Xx2328"). The \$3,122,005 from Wilson  
5 Sonsini constituted at least 70.18% of all deposits to Mobile's Chase Account Xx2328 during that  
6 period.

7           b) Mobile transferred at least \$1,314,589.75 from its Chase Account Xx2328 to  
8 Inter123's Bank of America Account ending in Xx7824 ("Inter123's BofA Account Xx7824"). The  
9 \$1,314,589.75 from Mobile constituted at least 93.97% of all deposits to Inter123's BofA Account  
10 Xx7824 during that period.

11           c) Inter123 paid at least \$320,000 from its BofA Account Xx7824 to the Phoenix  
12 Law Firm that represented Peterson and Inter123 in the *Sitesearch* lawsuit. Of those payments, at least  
13 45% were funds that Mobile's investors sent to Wilson Sonsini for their investments in Mobile.

14           147. Respondents did not disclose to Mobile investors that:

15           a) Mobile did not own the domain names or trademarks for its websites,  
16 "Mobile.pro", "Mobile.co," "Mobile.com.co," "Movil.pro" and "Movil.co";

17           b) Inter123, the closely held company of Mobile's CEO, Peterson, owned those  
18 domain names and trademarks;

19           c) Inter123 acquired the "Mobile.pro" domain name for \$3,250 shortly before  
20 Peterson incorporated Mobile and began seeking investors' money;

21           d) Mobile agreed to pay Inter123 \$250,000 every three months (\$1,000,000 per year)  
22 for the rights to use "Mobile.pro" and "Movil.pro";

23           e) Mobile was using its investors' funds to pay \$250,000 every three months  
24 (\$1,000,000 per year) to Inter123; and

25           f) Inter123 was using Mobile investors' funds to pay the Phoenix Law Firm's bills to  
26 Inter123 and Peterson for their *Sitesearch* lawsuit.



1 148. No reasonable investor would have invested if Respondents had disclosed the facts set  
2 forth in subparagraphs (a) through (f) of the preceding paragraph.

3 149. Further, Respondents also did not disclose to Mobile investors that:

4 a) Peterson's and Billingsley's previous company, LoanGo, defaulted on all of its  
5 promissory notes and LoanGo's investors lost all of their investments;

6 b) Billingsley, who served as Mobile's President, Chief Operating Officer and  
7 Executive Vice President, owed over \$440,000 in liens to the I.R.S. for unpaid taxes dating back to  
8 2007; and

9 c) Mobile's CFO, Silberman, had been the subject of a customer complaint  
10 alleging he committed fraud and misrepresentation when he was a securities salesman with  
11 Prudential, and Prudential paid \$150,000.00 to settle that complaint.

12 **5. The 2014 Licensing Agreement: Mobile Misused Investor Funds To**  
13 **Finance Inter123's Purchase Of The "Mobile.Co" Domain Name. Then,**  
14 **Inter123 Charged Mobile \$500,000 For The Right To Use The**  
15 **"Mobile.Co" Domain Name, And Mobile Paid The \$500,000 With More**  
16 **Investor Funds.**

17 150. On February 28, 2014, Inter123 agreed to purchase the internet domain name  
18 "Mobile.co" for \$59,000.00. The seller was located in Lebanon.

19 151. Pursuant to the Purchase and Sale Agreement dated February 28, 2014, Inter123 was  
20 required to send the \$59,000 purchase price within six (6) days.

21 152. On March 3, 2014, Mobile's Chase Account Xx2328 had a beginning balance of  
22 \$18,617.89. An investor whom this Notice shall refer to as "John Doe 1" wired \$50,000 into the  
23 Chase Account for an investment. An additional \$5,345.30 was deposited.

24 153. On March 3, 2014, Inter123's BofA Account Xx7824 had a beginning balance of  
25 \$8,644.92.

26 154. On March 3, 2014, Mobile wired \$60,000 from its Chase Account Xx2328 to  
Inter123's BofA Account Xx7824. At least \$36,036.81, of the \$60,000 were funds from Mobile  
investor John Doe 1.

1           155. On March 3, 2014, Inter123 wired \$59,000 from its BofA Account Xx7824 for the  
2 “Mobile.co” domain name purchase price. At least \$27,391.89 of the \$59,000 were funds from  
3 Mobile investor John Doe 1.

4           156. Despite the \$59,000 transfer, Inter123 did not complete its purchase of the “Mobile.co”  
5 domain name at that time.

6           157. In late July 2014, Inter123 agreed to pay \$239,000 for the “Mobile.co” domain name to  
7 the same seller in Lebanon.

8           158. On July 29, 2014, Inter123’s BofA Account Xx7824 had a negative ending balance of  
9 -\$667.86.

10          159. On July 30 2014, Mobile’s Chase Account Xx2328 had a beginning balance of  
11 \$12,722.07.

12          160. On July 30, 2014, an investor whom this Notice shall refer to as “John Doe 2” wired  
13 \$250,000 into Mobile’s Chase account. In return, Mobile issued John Doe 2 a promissory note for  
14 \$250,000.

15          161. Also on July 30, 2014, after it received John Doe 2’s \$250,000 investment, Mobile  
16 wired \$250,000 from its Chase Account Xx2328 to Inter123’s BofA Account Xx7824. At least  
17 \$237,277.93 of the \$250,000 were funds from Mobile investor John Doe 2.

18          162. On July 30, 2014, Inter123 wired \$239,000 plus a \$2,227.10 escrow fee from its BofA  
19 Account Xx7824 for the “Mobile.co” domain name purchase price.

20          163. Inter123’s purchase of the “Mobile.co” domain name closed on August 5, 2014.

21          164. At least \$237,277.93 of the \$239,000 purchase price and \$2,227.10 escrow fee that  
22 Inter123 used to acquire the “Mobile.co” domain name were funds from Mobile investor John Doe 2.

23          165. John Doe 2 did not authorize Mobile to use his funds to finance Inter123’s acquisition  
24 of the “Mobile.co” domain name. Before John Doe 2 invested \$250,000, he had been told Mobile  
25 would use his money to acquire the “Mobile.co” domain name.

1           166. Effective September 1, 2014, Mobile entered another Trademark License Agreement  
2 with Inter123 (the “2014 License Agreement”). Mobile agreed to pay Inter123 \$500,000 for the rights  
3 to use the domain names and trademarks “Mobile.co”, “Movil.co”, “Mobile.pro”, “Movil.pro” and  
4 variants of those names for six months until March 31, 2015, when the agreement terminated.

5           167. In the 2014 License Agreement, Mobile agreed that its \$250,000 wire to Inter123 on  
6 July 30, 2014, was an “Acquisition Fee” to reimburse Inter123 for its costs to acquire the “Mobile.co”  
7 domain name.

8           168. Like the 2013 License Agreement, the 2014 License Agreement provided: (i) all  
9 goodwill Mobile generated by its use of “Mobile.co” and the other domain names and trademarks  
10 would belong exclusively to Inter123; and (ii) upon termination, Mobile was required immediately to  
11 cease using the domain names and trademarks and turn over to Inter123 “access to any social  
12 networking sites used by [Mobile].”

13           169. The 2014 License Agreement also provided that a Wilson Sonsini attorney was to  
14 receive a copy of any notice sent to Mobile.

15           170. The 2014 License Agreement was presented to Mobile’s Board of Directors during a  
16 telephonic meeting on October 6, 2014.

17           171. The Wilson Sonsini attorney who was to receive a copy of any notice sent to Mobile  
18 under the 2014 Licensing Agreement took the minutes of the meeting.

19           172. The minutes of the meeting reflect that Peterson abstained from voting on the 2014  
20 Licensing Agreement with Inter123.

21           173. The minutes of the meeting, however, do not reflect that:

22               a) Peterson, Silberman, who was the CFO of both Mobile and Inter123, informed  
23 Mobile’s Directors that Inter123 had acquired the “Mobile.co” domain name by using Mobile investor  
24 John Doe 2’s \$250,000;

25               b) Any of Mobile’s Directors questioned the valuation of the domain names and  
26 trademarks for which Mobile would pay Inter123 \$500,000 to use for six months;

1 c) Any of Mobile's Directors, or the Wilson Sonsini attorney, questioned why  
2 Mobile would pay a royalty to Peterson's other company for the right to use the "Mobile.co" and  
3 "Movil.co" names and variants of those names; or

4 d) There was any discussion of why Mobile would brand itself and build an online  
5 business using domain names and trademarks Mobile did not own and for which it had to pay  
6 Peterson's other company \$500,000 to use for six months.

7 174. The minutes taken by the Wilson Sonsini attorney, who was supposed to be  
8 representing Mobile's interests and not those of Peterson, do not reflect that he raised any of these  
9 issues or that he offered Mobile's Directors any advice or other information about the 2014 Licensing  
10 Agreement.

11 175. Mobile's Board of Directors voted to approve the 2014 Licensing Agreement, under  
12 which Mobile agreed to pay Peterson's other company \$500,000 to use the "Mobile.co" name, which  
13 Inter123 had acquired using \$250,000 from Mobile investor John Doe 2.

14 176. Between September 1, 2014, and March 31, 2015, which was the period when the 2014  
15 Licensing Agreement was in effect:

16 a) Wilson Sonsini transferred at least \$2,725,111.60 to Mobile's Chase Account  
17 Xx2328. The \$2,725,111.60 from Wilson Sonsini constituted 98.09% of all deposits to Mobile's  
18 Chase Account Xx2328 during that period.

19 b) Mobile transferred at least \$625,000 from its Chase Account Xx2328 to  
20 Inter123's BofA Account Xx7824. The \$625,000 from Mobile constituted 90.16% of all deposits to  
21 Inter123's BofA Account Xx7824 during that period.

22 c) Inter123 paid at least \$150,000 from its BofA Account Xx7824 to the Phoenix  
23 Law Firm that represented Peterson and Inter123 in the *Sitesearch* lawsuit. Of those payments, at least  
24 \$146,983.44, or 97.98%, were funds originating from Mobile's investors.

25 177. Similar to how Peterson used LoanGo investors' money without their knowledge to  
26 repay a loan he made to LoanGo, Peterson, through Mobile's transfers to Inter123, used Mobile

investors' money without their knowledge to pay attorneys' fees he incurred in his unrelated *Sitesearch* lawsuit.

178. In 2017, in correspondence with a former member of Mobile's Board of Directors who questioned where all the Mobile investors' funds went, Peterson answered, "[T]he two biggest beneficiaries of money raised are grupo Carso, in Mexico City, where we leased a big office that was never used, and [the Phoenix Law Firm]," which represented Peterson and Inter123 in the *Sitesearch* lawsuit.

#### **6. Mobile's Sales Of Preferred Stock.**

179. Between January 12 and August 3, 2015, Mobile sold at least nine (9) investors shares of its preferred stock.

180. Mobile raised at least \$498,460 from these stock sales.

#### **7. Mobile Used Arizona As A Base Of Its Operations.**

181. While he was Mobile's Chairman and CEO, Peterson filed a Declaration in the U.S. District Court for the District of Arizona stating, "I am a resident of Arizona and have significant ties in that state."

182. Mobile had offices and employed personnel in Mesa, Arizona.

183. Mobile's President from August 19, 2013, until September 29, 2014, Christopher G. Lopez, lived in and operated from Arizona.

184. Several of Mobile's other officers and directors also lived in Arizona.

185. Mobile touted its officers', directors' and advisors' Arizona connections to investors.

186. The 2013 and 2014 License Agreements between Mobile and Inter123 provided for Arizona law to govern and for any disputes to be litigated in either state or federal court in Phoenix, Arizona.

*H. Quepasa II.*

187. On July 10, 2014, Peterson formed Quepasa Corporation, which this Notice refers to as Quepasa II, as a Nevada corporation.

188. Two weeks earlier, on June 26, 2014, Silberman had engaged Wilson Sonsini as counsel for what was to become Quepasa II.

189. Peterson was the President of Quepasa II.

190. Silberman was a Director and the Treasurer and Secretary of Quepasa II.

191. In the summer of 2014, Peterson asked an individual, "MA", whom he knew from serving on the Arizona-Mexico Commission, to come to work for Quepasa II, which he described as a "relaunch of Quepasa" that he was starting.

192. Approximately three weeks later, MA met with Peterson in Phoenix, Arizona. Peterson told MA he was creating a second iteration of Quepasa, a company MA knew Peterson founded many years earlier. Peterson stated he wanted to create a new Quepasa that would be a Spanish version of Facebook.

193. In approximately September 2014, MA signed a two-year employment agreement with Quepasa II as its Vice President of Business Development. When MA joined Quepasa II, Peterson was living in the Palomar Hotel in Phoenix, Arizona.

194. After joining Quepasa II, MA contacted friends and business associates whom MA thought would be interested in investing. MA set up approximately 10-12 meetings with friends or business associates to learn more about Quepasa II after they expressed initial interest. Peterson or Billingsley accompanied MA to those meetings with the prospective investors.

195. MA introduced Peterson to an Arizona investor who invested \$25,000 in Quepasa II in March 2015. When they solicited his investment, MA and Peterson told the investor that Quepasa II Quepasa would be a web-based company that would cater to businesses as a platform for innovation. They told him Quepasa II's website would provide the opportunity for employers



1 and those seeking work with specific skills to connect with each other and enter into employment  
2 agreements through the website.

3 196. MA and Peterson told the investor he would receive a Convertible Promissory Note  
4 that would be convertible to shares of Quepasa II stock.

5 197. MA and Peterson further told the investor that Quepasa II was planning an initial  
6 public offering (IPO). The investor believed his investment would become profitable when his  
7 Convertible Promissory Note was converted to Quepasa II stock and then the IPO occurred.

8 198. The investor initially wanted to invest \$10,000 in Quepasa II but Peterson told him  
9 the minimum investment amount was \$25,000.

10 199. On March 24, 2015, the investor wired \$25,000 to Wilson Sonsini for his  
11 investment in Quepasa II. The investor received a Quepasa Convertible Promissory Note in return.

12 200. The investor specifically asked Peterson what his investment monies would be used  
13 for. Peterson answered that the investment would be used to pay programmers in Mexico and the  
14 Philippines who were developing the Quepasa II website.

15 201. At no time before this investor invested in Quepasa II did Peterson or MA mention  
16 Mobile or that Peterson was also trying to launch another company. That information would have  
17 been a significant factor as to whether the investor would have invested in Quepasa II.

18 202. In April 2015, Quepasa II had an event at a gallery in Phoenix for potential investors  
19 that approximately 30 people attended.

20 203. Peterson and Silberman spoke at the event. Peterson stated that Quepasa II would be  
21 a social networking website with a Hispanic focus.

22 204. Peterson stated that a business would be able to use Quepasa II's website if it was  
23 looking for another business to hire or an individual with whom to collaborate.

24 205. Either Peterson or Silberman stated Quepasa II was going to build an online forum  
25 that would bring entrepreneurs and investors together.  
26



1       206. Neither Peterson nor Silberman informed the attendees that they were also attempting  
2 to launch Mobile at the same time as Quepasa II.

3       207. Two investors who invested following the gallery event were both unaware of Mobile  
4 when they invested in Quepasa II. Neither investor would have invested in Quepasa II if Respondents  
5 had made them aware of Mobile because the two companies had similar business plans and could  
6 have competed against each other.

7       208. Peterson told the attendees at the gallery event that he had several large investors  
8 who were willing to fund the Quepasa comeback, and that he had a great love for Arizona, Arizona  
9 citizens, and especially the Hispanic community in Arizona. Peterson told the attendees he wanted  
10 to give back to Arizona, and as a result, he was going to allow smaller investors to invest in and  
11 profit from Quepasa's comeback.

12       209. Attendees who wanted to invest or learn more about Quepasa II were invited to  
13 participate in a conference call a few days later.

14       210. On that conference call, the prospective investors were told that all their investment  
15 paperwork would be handled by a prominent Silicon Valley law firm that specialized in internet  
16 startups.

17       211. Quepasa II's use of a prestigious law firm gave at least two investors who invested  
18 after that call added confidence in the investment opportunity.

19       212. The investors were told their investments would take the form of loans to Quepasa  
20 II that it would use to fund the development of its website. The investors were further told that  
21 Quepasa II would issue notes for their investments, which would later be converted to stock.

22       213. The investors were further told their investments would yield a profit when Quepasa  
23 II went public through an IPO.

24       214. The investors on the conference call were not informed that their investments in  
25 Quepasa II would be used by or transferred to another company. Had they been informed that any  
26

1 part of their Quepasa II investments would be used for another company, that information would  
2 have been a significant factor as to whether they wanted to invest in Quepasa II.

3 215. From August 26, 2014, through November 12, 2015, Quepasa Corporation (Quepasa  
4 II) sold Convertible Promissory Notes totaling at least \$255,000 to eight (8) investors in amounts  
5 ranging from \$100,000 down to \$5,000.

6 216. The investors were instructed to send their executed investment documents to  
7 Wilson Sonsini, and to wire their investment funds to Wilson Sonsini's IOLTA trust account.

8 217. Each Note provided that Quepasa II would pay the investor the outstanding principal  
9 amount of their investment plus 8.0% annual interest upon the earlier of the "Maturity Date," which  
10 was defined as August 25, 2015, or an elected date thereafter; or upon default.

11 218. Each Note provided that if Quepasa II sold at least \$3,000,000 of Preferred Stock prior  
12 to the Maturity Date, "then the outstanding principal amount of this Note and all accrued interest  
13 shall automatically convert into ... Preferred Stock ... at a price per share of 75% of the price per  
14 share paid by the cash purchasers of the Preferred Stock...."

15 219. Quepasa II sold each Note pursuant a Note Purchase Agreement, which Wilson Sonsini  
16 prepared.

17 220. Each Note Purchase Agreement provided: "The initial sale and purchase of the Notes  
18 shall take place at a closing to be held ... at Wilson Sonsini Goodrich & Rosati, P .C. ... or such  
19 other place and time as the Company and the Investors may determine...."

20 221. Each Note Purchase Agreement further provided: "*Use of Proceeds*. The proceeds of  
21 the sale and issuance of the Notes shall be used for general corporate purposes."

22 222. Each Note Purchase Agreement represented:

23  
24 *Intellectual Property.* To the best of its knowledge, the Company owns or  
25 possesses sufficient legal rights to all patents, trademarks, service marks,  
26 trade names, copyrights, trade secrets, licenses, information, processes and  
other intellectual property rights necessary for its business as now  
conducted and as currently proposed to be conducted without any conflict  
with, or infringement of the rights of, others.

1           223. That representation was false or misleading because Quepasa II did not own the  
2 “Quepasa.com” and “Quepasa.co” domain names that were necessary for its business.

3           224. Unbeknownst to investors, Peterson’s closely held company, Inter123, owned those  
4 domain names and licensed them to Quepasa in exchange for royalty payments.

5           225. Investors would not have invested in Quepasa II if they had known: (i) Quepasa II did  
6 not own the “Quepasa.com” and “Quepasa.co” domain names that were necessary for its business, or  
7 (ii) Quepasa II was paying Peterson’s Inter123 for the rights to use those names.

8           226. Respondents also did not disclose to Quepasa II investors that:

9               a) Peterson’s previous company, LoanGo, defaulted on all of its promissory notes  
10 and LoanGo’s investors lost all of their investments;

11               b) Quepasa II’s CFO, Silberman, had been the subject of a customer complaint  
12 alleging he committed fraud and misrepresentation when he was a securities salesman with  
13 Prudential, and Prudential paid \$150,000.00 to settle that complaint; or

14               c) Peterson and Silberman were trying to start Mobile at the same time they were  
15 trying to start Quepasa II.

16           227. For the sale of Quepasa II’s Notes, Wilson Sonsini drafted the Note Purchase  
17 Agreements and sent the investors the subscription documents, including the Note Purchase  
18 Agreements, Notes, suitability questionnaires, signing instructions and instructions for the investors to  
19 wire their funds to Wilson Sonsini’s IOLTA account.

20           228. After determining that the investor’s subscription was acceptable, Wilson Sonsini  
21 wired the investor’s funds to Quepasa II.

22           229. Unbeknownst to investors, between May 8 and December 12, 2015, Quepasa II paid at  
23 least \$170,810.26 to Inter123.

24           230. Unbeknownst to investors, between November 17, 2014 and December 11, 2015,  
25 Quepasa II transferred at least \$88,000 to Mobile.  
26

***I. Wilson Sonsini's Fees And The Investors' Losses.***

231. Mobile paid Wilson Sonsini \$239,380.46.

232. Quepasa II paid Wilson Sonsini \$11,861.

233. Eight (8) investors collectively invested \$255,000 in Quepasa II. Those investors have not received any return or repayment.

234. At least eighty-three (83) investors collectively invested more than \$7.5 million in Mobile. With the exception of repayments to two investors totaling \$75,167, Mobile's investors have not received any return or repayment of their \$7.5 million.

**V. VIOLATION OF A.R.S. § 44-1841**

**(Offer or Sale of Unregistered Securities)**

235. From April 24, 2013, through August 3, 2015, Respondents Mobile, Peterson, Silberman, Billingsley and Wilson Sonsini made, participated in or induced the offer and sale of securities in the form of Mobile's Convertible Promissory Notes, other promissory notes and stock totaling at least \$7,542,465, within or from Arizona.

236. Mobile's Convertible Promissory Notes were securities within the meaning of A.R.S. § 44-1801.

237. The other promissory notes Mobile sold, including the \$250,000 promissory note to Mobile investor John Doe 2, were securities within the meaning of A.R.S. § 44-1801.

238. Mobile's stock was a security within the meaning of A.R.S. § 44-1801.

239. From August 26, 2014, through November 12, 2015, Respondents Quepasa Corporation (Quepasa II), Peterson, Silberman, Billingsley and Wilson Sonsini made, participated in or induced the offer and sale of securities in the form of Quepasa II's Convertible Promissory Notes totaling at least \$255,000, within or from Arizona.

240. Quepasa II's Convertible Promissory Notes were securities within the meaning of A.R.S. § 44-1801.

241. The securities referred to above were not registered pursuant to Articles 6 or 7 of the Securities Act.

242. This conduct violates A.R.S. § 44-1841.

**VI. VIOLATION OF A.R.S. § 44-1842**

**(Transactions by Unregistered Dealers or Salesmen)**

243. Respondents made, participated in or induced the offer and sale of securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

244. This conduct violates A.R.S. § 44-1842.

**VII. VIOLATION OF A.R.S. § 44-1991**

**(Fraud in Connection with the Offer or Sale of Mobile's Securities)**

245. From April 24, 2013 through August 3, 2015, Respondents Mobile, Peterson, Silberman, Billingsley and Wilson Sonsini made, participated in or induced the unlawful sales or purchases of securities in violation of A.R.S. § 44-1991. Specifically, in connection with the offer or sale of securities within or from Arizona, Mobile, Peterson, Silberman, Billingsley and Wilson Sonsini directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors.

246. The conduct by Respondents Mobile, Peterson, Silberman, Billingsley and Wilson Sonsini includes, but is not limited to, the following:

a) Misrepresenting in the Note Purchase Agreements Wilson Sonsini drafted and sent to investors that Mobile "owns or possesses sufficient legal rights" to the domain names and trademarks that were necessary for its business, including "Mobile.pro", "Movil.pro", "Mobile.co", "Movil.co" and "Mobile.com.co";

b) Failing to disclose to investors that:

- i) Mobile was licensing the legal rights to use those domain names and trademarks from Inter123 for three-month terms under the 2013 Licensing Agreement and a six-month term under the 2014 Licensing Agreement;
- ii) Inter123 could terminate Mobile's rights to use those domain names and trademarks by providing only seven or fourteen days written notice before the end of the Initial Term or a Renewal Term;
- iii) If Inter123 terminated the Licensing Agreements, Mobile was required immediately to: (a) cease using the "Mobile.pro" and "Movil.pro" domain names and trademarks; (b) turn over to Inter123 access to any social networking sites used by Mobile, which were to be central to Mobile's business and profitability; and (c) change its corporate name to something not likely to be confused with Mobile;
- iv) Under the 2013 Licensing Agreement, Mobile was paying Inter123 \$250,000 every three months (\$1,000,000 per year) from the investors' funds for the rights to use the "Mobile.pro" and "Movil.pro" names; and
- v) Under the 2014 Licensing Agreement, Mobile was paying Inter123 \$500,000 from the investors' funds for the rights to use the domain name "Mobile.co", which Inter123 had acquired using Mobile investor John Doe 2's funds.

247. In addition, the conduct by Respondents Mobile, Peterson, Silberman and Billingsley includes, but is not limited to, the following:

- a) Failing to disclose to investors:
  - i) Inter123 acquired the "Mobile.pro" domain name for \$3,250 shortly before Peterson incorporated Mobile and began seeking investors' money;
  - ii) Inter123 was using Mobile investors' funds to pay the Phoenix Law Firm's bills to Inter123 and Peterson for their *Sitesearch* lawsuit;



1                   iii) Peterson's and Billingsley's previous company, LoanGo, defaulted on  
2                   all of its promissory notes and LoanGo's investors lost all of their investments;

3                   iv) Billingsley, who served as Mobile's President, Chief Operating Officer  
4                   and Executive Vice President, owed over \$440,000 in liens to the I.R.S. for  
5                   unpaid taxes dating back to 2007;

6                   v) Mobile's CFO, Silberman, had been the subject of a customer  
7                   complaint alleging he committed fraud and misrepresentation when he was a  
8                   securities salesman with Prudential, and Prudential paid \$150,000.00 to settle  
9                   that complaint; and

10                  b) Misusing the \$250,000 John Doe 2 invested in Mobile on July 30, 2014, by  
11                  wiring it to Inter123 so that Inter123 could acquire the "Mobile.co" domain name.

12                  248. This conduct violates A.R.S. § 44-1991.

### 13                                   **VIII. VIOLATION OF A.R.S. § 44-1991**

#### 14                                   **(Fraud in Connection with the Offer or Sale of Quepasa II's Securities)**

15                  249. From August 26, 2014, through November 12, 2015, Respondents Quepasa  
16                  Corporation (Quepasa II), Peterson, Silberman, Billingsley and Wilson Sonsini made, participated in  
17                  or induced the unlawful sales or purchases of securities in violation of A.R.S. § 44-1991.  
18                  Specifically, in connection with the offer or sale of securities within or from Arizona, Quepasa II,  
19                  Peterson, Silberman, Billingsley and Wilson Sonsini directly or indirectly: (i) employed a device,  
20                  scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material  
21                  facts that were necessary in order to make the statements made not misleading in light of the  
22                  circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of  
23                  business that operated or would operate as a fraud or deceit upon offerees and investors.

24                  250. The conduct by Respondents Quepasa II, Peterson, Silberman, Billingsley and Wilson  
25                  Sonsini includes, but is not limited to, the following:  
26



1 a) Misrepresenting in the Note Purchase Agreements Wilson Sonsini drafted and  
2 sent to investors that Quepasa II “owns or possesses sufficient legal rights” to the domain names that  
3 were necessary for its business, including “Quepasa.com” and “Quepasa.co”;

4 b) Failing to disclose to investors that:

5 i) Quepasa II was licensing the legal rights to use those domain names  
6 and trademarks from Inter123;

7 ii) Peterson and Silberman were trying to start Mobile at the same time  
8 they were trying to start Quepasa II; and

9 iii) Quepasa II would transfer more than \$170,000 to Peterson’s closely  
10 held company, Inter123.

11 251. In addition, the conduct by Respondents Quepasa II, Peterson, Silberman and  
12 Billingsley includes, but is not limited to the following:

13 a) Transferring Quepasa II investors’ funds to Mobile;

14 b) Failing to disclose to investors that Peterson’s previous company, LoanGo,  
15 defaulted on all of its promissory notes and LoanGo’s investors lost all of their investments; and

16 c) Failing to disclose to investors that Quepasa II’s CFO, Silberman, had been the  
17 subject of a customer complaint alleging he committed fraud and misrepresentation when he was a  
18 securities salesman with Prudential, and Prudential paid \$150,000.00 to settle that complaint.

19 252. This conduct violates A.R.S. § 44-1991.

20 **IX. CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999**

21 253. From at least April 19, 2013, through at least December 8, 2015, Peterson was or  
22 held himself out as Mobile’s Chairman of the Board of Directors and Chief Executive Officer.

23 254. From at least April 19, 2013, through at least December 8, 2015, Silberman was or  
24 held himself out as the Chairman of the Executive Committee of Mobile’s Board of Directors, and  
25 Mobile’s Executive Vice President and Chief Financial Officer.  
26

255. From at least April 19, 2013, through at least December 8, 2015, Peterson and Silberman directly or indirectly controlled Mobile within the meaning of A.R.S. § 44-1999. Therefore, Peterson and Silberman are jointly and severally liable to the same extent as Mobile for its violations of A.R.S. § 44-1991 from at least April 19, 2013, through at least December 8, 2015.

256. From at least May 16, 2013, through at least June 25, 2015, Billingsley was or held himself out as a member of Mobile's Board of Directors, and Mobile's Chief Operating Officer, President, Senior Vice President and Vice President.

257. From at least May 16, 2013, through at least June 25, 2015, Billingsley directly or indirectly controlled Mobile within the meaning of A.R.S. § 44-1999. Therefore, Billingsley is jointly and severally liable to the same extent as Mobile for its violations of A.R.S. § 44-1991 from at least May 16, 2013, through at least June 25, 2015.

258. From at least July 10, 2014, through at least July 31, 2017, Peterson was or held himself out as Quepasa II's Chairman of the Board of Directors and its President.

259. From at least July 10, 2014, through at least July 31, 2017, Silberman was or held himself out as a Director of Quepasa II and its Treasurer and Secretary.

260. From at least July 10, 2014, through at least July 31, 2017, Peterson and Silberman directly or indirectly controlled Quepasa II within the meaning of A.R.S. § 44-1999. Therefore, Peterson and Silberman are jointly and severally liable to the same extent as Quepasa II for its violations of A.R.S. § 44-1991 from at least July 10, 2014, through at least July 31, 2017.

## X. REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;

2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order that Respondents Michael D. Silberman and Stacey Silberman be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action.

5. Order any other relief that the Commission deems appropriate.

## XI. HEARING OPPORTUNITY

Each Respondent, including Respondent Stacey Silberman, may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If a Respondent requests a hearing, the requesting Respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting Respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Carolyn D. Buck, ADA Coordinator, voice phone number (602) 542-3931, e-mail [cdbuck@azcc.gov](mailto:cdbuck@azcc.gov). Requests should be made as early as possible to allow time to arrange the accommodation. Additional information about the administrative action procedure may be found at <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

**XII. ANSWER REQUIREMENT**

Pursuant to A.A.C. R14-4-305, if a Respondent requests a hearing, the requesting Respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

Additionally, the answering Respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007, addressed to James D. Burgess.

The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering Respondent or Respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering Respondent intends in good faith to deny only a part or a qualification of an allegation, the Respondent shall specify that part or qualification of the allegation and shall admit the remainder. A Respondent waives any affirmative defense not raised in the Answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

Dated this 9<sup>th</sup> day of July, 2020.

/S/

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Mark Dinell  
Director of Securities